

**CITY OF RICHMOND, VIRGINIA**  
**REPORT ON SINGLE AUDIT**  
**YEAR ENDED JUNE 30, 2021**



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**CITY OF RICHMOND, VIRGINIA  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Members of the City Council  
City of Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the city of Richmond, Virginia (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2021. Our report includes a reference to other auditors who audited the financial statements of the following discretely presented component units: Richmond School Board, Richmond Economic Development Authority, and Richmond Behavioral Health Authority, as described in our report on the City's financial statements. We also did not audit the financial statements of the Richmond Retirement System which was included in the aggregate remaining fund information, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Richmond Retirement System were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

The Honorable Members of the City Council  
City of Richmond, Virginia

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003 and 2021-004 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Richmond's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
December 15, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Members of the City Council  
City of Richmond, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the city of Richmond, Virginia's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority, and Richmond Retirement System. These component units have been excluded from the accompanying schedule of expenditures of federal awards during the year ended June 30, 2021. Our audit, described below, did not include the operations of Richmond School Board, Richmond Ambulance Authority, Richmond Redevelopment and Housing Authority, Economic Development Authority and Richmond Retirement System because these component units engaged other auditors to perform an audit in accordance with Title 2 U.S. Code of Federal Regulations for Federal Awards, where applicable.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

The Honorable Members of the City Council  
City of Richmond, Virginia

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-005 and 2021-006. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Honorable Members of the City Council  
City of Richmond, Virginia

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-005 and 2021-006, that we consider to be significant deficiencies.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 15, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
September 26, 2022

*See accompanying Notes to schedule of Expenditures of Federal Awards*

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor Number	Pass-Through to Subrecipients	Federal Expenditures
<b>OFFICE OF NATIONAL DRUG CONTROL POLICY</b>				
<b>Passed-Through Mercy Hurst University</b>				
High Intensity Drug Trafficking Agency	07.999	2020TXRICHMOND	\$ -	\$ 127,828
<b>TOTAL OFFICE OF NATIONAL DRUG CONTROL</b>			<b>-</b>	<b>127,828</b>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>				
<b>Direct Payments:</b>				
Child and Adult Food Care Program	10.558	-	-	46,447
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	-	-	230,852
Total Child Nutrition Cluster			-	230,852
<b>Passed-Through Virginia Department of Social Services:</b>				
Supplemental Nutrition Assistance Program (SNAP) Cluster:				
State Administrative Matching Grants for the				
Supplemental Nutrition Assistance Program	10.561	Laser Report	-	4,603,852
Total SNAP Cluster			-	4,603,852
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>-</b>	<b>4,881,151</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<b>Direct Payments:</b>				
Community Development Block Grant Cluster				
Community Development Block Grant Program				
Entitlement Grants (CDBG)	14.218	-	3,913,131	5,769,904
COVID-19 - Entitlement Grants (CDBG)	14.218	-	-	1,725,983
Total Community Development Block Grant Cluster			3,913,131	7,495,887
Home Investment Partnerships Program (HOME)	14.239	-	1,256,890	1,392,061
Emergency Shelter Grant Program (ESG)	14.231	-	2,466,425	2,466,425
COVID-19 - Emergency Shelter Grant Program (ESG)	14.231	-	392,068	392,068
Total Emergency Shelter Grant Program			2,858,493	2,858,493
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	-	1,526,655	1,566,713
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<b>9,555,169</b>	<b>13,313,154</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<b>Direct Payments:</b>				
Coronavirus Emergency Supplemental Funding Program	16.034	-	-	307,072
Juvenile Justice and Delinquency Program	16.540	-	-	63,452
Crime Victim Assistance	16.575	-	-	732,992
Crime Victim Assistance/Discretionary Grant	16.582	-	-	33,892
PREA Program: Strategic Support for PREA Implementation	16.735	-	-	4,345
Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	177,835
Juvenile Accountability Incentive Block Grant	16.738	-	-	192,199
Total Edward Byrne Memorial Just Assistance Grant			-	370,034
Second Chance Act Reentry Initiative	16.812	-	-	96,007
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>-</b>	<b>1,607,794</b>

See accompanying Notes to schedule of Expenditures of Federal Awards



**CITY OF RICHMOND, VIRGINIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor Number	Pass-Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>Passed-Through Virginia Department of Transportation:</b>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction (Capital Projects) -	20.205	290-8130 TRAFF Safety	\$ -	\$ 9,204,943
<b>Passed-Through Virginia Department of Rail and Public Transportation</b>				
Employee Trip Reduction	20.205	47017-04 & 47019-06	-	21,707
Total Highway Planning and Construction Cluster			-	9,226,650
<b>Passed-Through Virginia Division of Motor Vehicles:</b>				
Highway Safety Cluster				
State and Community Highway Safety	20.600	FSC-2020-50124-20124	-	5,087
State and Community Highway Safety	20.600	FSC-2021-51310-21310	-	66,088
State and Community Highway Safety	20.600	FOP-2021-51278-21278	-	8,049
Total State and Community Highway Safety			-	79,224
National Priority Safety Program	20.616	FHILE-2021-51270-21270	-	3,602
Total Highway Safety Cluster			-	82,826
Alcohol Open Container Requirements	20.607	154AL-2021-51272-21272	-	12,187
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			-	<b>9,321,663</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>Direct Payment:</b>				
Heathy Start Initiative	93.926	-	-	139
<b>Passed-Through Mercy Hurst University</b>				
Adult Drug Court - RADTC - SAMHSA	93.243	1H79TI081026-02	-	70,901
Adult Drug Court - RADTC - SAMHSA	93.243	5H79TI081026-03	-	167,985
Total Adult Drug Court			-	238,886
<b>Passed-Through Virginia Department of Social Services:</b>				
Promoting Safe and Stable Families				
Temporary Assistance for Needy Families Cluster	93.556	RSDSS LASER	-	116,339
Temporary Assistance for Needy Families	93.558	RSDSS LASER	-	3,005,464
Total Temporary Assistance for Needy Families Cluster			-	3,005,464
Refugee and Entrant Assistance State/Replacement Designee Administered Programs				
Low-Income Home Energy Assistance	93.566	RSDSS LASER	-	7,599
Child Care and Development Fund Cluster:	93.568	RSDSS LASER	-	501,163
Child Care and Development Block Grant	93.575	RSDSS LASER	-	(432)
Child Care Mandatory and Matching Funds	93.596	RSDSS LASER	-	636,063
Total Child Care and Development Fund Cluster			-	635,631
Chafee Education and Training Vouchers Program (ETV)	93.599	RSDSS LASER	-	41,993
Stephanie Tubbs Jones Child Welfare Services Program	93.645	RSDSS LASER	-	1,219
Foster Care Title IV E	93.658	RSDSS LASER	-	3,009,823

See accompanying Notes to schedule of Expenditures of Federal Awards

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor Number	Pass-Through to Subrecipients	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</b>				
<b>Passed-Through Virginia Department of Social Services (Continued):</b>				
Adoption Assistance - Title IV-E	93.659	RDSS LASER	\$ -	\$ 3,301,337
Social Service Block Grant (SSBG),	93.667	RDSS LASER	-	2,500,994
Chafee Foster Care - Independent Living and Administrative	93.674	RDSS LASER	-	128,274
Children's Health Insurance Program	93.767	RDSS LASER	-	52,206
Medicaid Cluster				
Medical Assistance Program	93.778	RDSS LASER	-	3,701,271
Total Medicaid Cluster			-	3,701,271
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			-	<b>17,242,338</b>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</b>				
<b>Passed-Through Virginia Department of Social Services:</b>				
AmeriCorps	94.006	CVS-17-048	-	23,424
AmeriCorps	94.006	CVS-21-015-02	-	104,576
Total AmeriCorps			-	128,000
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL</b>			-	<b>128,000</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<b>Passed-Through Virginia Department of Emergency Management</b>				
FY19 Emergency Management Performance Grants	97.042	8294	-	55,390
FY20 Emergency Management Performance Grants	97.042	None provided	-	69,778
Total Emergency Management Performance Grants			-	125,168
Assistance to Firefighters Grant	97.044	EMW-2020-FG-01378	-	38,664
2019 SHSP COR Command Post Enhancement Project	97.067	8305	-	18,968
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY TOTAL</b>			-	<b>182,800</b>
<b>U.S. DEPARTMENT OF TREASURY:</b>				
<b>Passed-Through Virginia Department of Emergency Management</b>				
COVID-19 - Coronavirus Relief Fund	21.019	None provided	-	40,236,783
<b>TOTAL U.S. DEPARTMENT OF TREASURY</b>			-	<b>40,236,783</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 9,555,169</b>	<b>\$ 87,041,511</b>

See accompanying Notes to schedule of Expenditures of Federal Awards

**CITY OF RICHMOND, VIRGINIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2021**

**NOTE 1 BASIS OF PRESENTATION**

**Organization**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the primary government of the city of Richmond, Virginia (the City), and is presented on the modified-accrual basis of accounting. Federal awards of component units of the City reporting entity are not included in this Schedule.

The information in this Schedule is also presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Expenditures of federal award grant funds are made for the purposes specified by the grantor and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of the City.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of Assistance Listing Number (ALN) 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 INDIRECT COST**

The City did not elect to use the 10% de minimis cost rate for indirect costs.

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?     x     yes            no
  - Significant deficiency(ies) identified?     x     yes            none reported
3. Noncompliance material to financial statements noted?            yes     x     no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified?            yes     x     no
  - Significant deficiency(ies) identified?     x     yes            none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?     x     yes            no

**Identification of Major Federal Programs**

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
14.231	Emergency Shelter Grant
93.658	Foster Care
93.778	Medical Assistance Program
21.019	Coronavirus Relief Fund

Dollar threshold used to determine Type A programs: \$2,661,245

Auditee qualified as low-risk auditee?            yes     x     no

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section II – Financial Statement Findings***

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**2021-001 – Correction of Errors – Material Weakness**

**Condition:**

The City's concentration cash account was not being properly reconciled. Certain differences were being carried forward from year to year resulting in a prior period adjustment of \$12.1 million which reduced cash and General Fund's fund balance.

In addition, for some CWIP projects put into service from FY 2016 until FY 2019, the entry to record the transfer of the expenditures from Capital Projects to Parking Enterprise was not captured. A restatement of \$2.9 million was required to properly state the affected account balances adjusting the corresponding Fund Balance and Net Position balances accordingly.

**Criteria or Specific Requirement:**

Internal Control best practices dictate the significant accounts should be reconciled on a timely basis and differences should be identified, investigated, and resolved.

**Effect**

General Fund cash and fund balance were both overstated in the amount of \$12.1 million. In addition, Capital Project fund balance was understated by \$2.9 million and Parking Enterprise net position was overstated by \$2.9 million.

**Cause:**

It appears a lack of staffing resources resulted in reconciliations not being properly completed. Reconciling items in the Concentration account were not being researched and resolved. In addition, the reconciliation of parking fund assets was not prepared in a timely manner.

**Repeat Finding:** No

**Recommendation:**

We recommend the City review current procedures and enhance them to ensure reconciliations are performed timely. In addition, sufficient staff resources should be assigned to ensure reconciliations are properly completed.

**Views of Responsible Officials and Planned Corrective Action:**

We agree with the auditors finding. We have taken the immediate step of augmenting staff on the General Accounting team to address the issue of performance of reconciliation in a timely manner. Additionally, we have initiated a project to automate the cash reconciliation process between the bank, general ledger, and subsidiary ledger systems. The City will continue to refine the month end close process to ensure that reconciliation are performed timely and unreconciled items are resolved within a reasonable time frame by establishing benchmarks for clearing open items.

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section II – Financial Statement Findings (Continued)***

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**2021-002 – Recording of Retainage Payable – Significant Deficiency**

**Condition:**

The City did not record a liability for retainage payable related to construction in progress invoices. Retainage payable represents a liability attributable to the acquisition, construction or improvement of capital assets (in this case, construction in progress). The retainage payable amount is included on construction in progress invoices as a reduction of total expenditures incurred.

**Criteria or Specific Requirement:**

Generally Accepted Accounting Principles (GAAP) require that all transactions of an entity be properly accounted for in the period they occur.

**Effect:**

Failure to record retainage payable may result in the misstatement of liability and expenditures. Further, the financial information provided to management and those charged with governance may not be accurate or relevant.

**Cause:**

The City has a history of not accounting for these transactions and therefore, has not established the appropriate policies and procedures to ensure proper accounting.

**Repeat Finding:** Prior year finding 2020-001

**Recommendation:**

We recommend that the City recognize retainage and establish ongoing training for those individuals responsible for the accounting of these transactions as well as the departments required to provide information needed by the finance department to properly account for retainage.

**Views of Responsible Officials and Planned Corrective Actions:**

We agree with the auditors finding. Purchase orders are created for the entire amount of the project which encumbers the funds. Currently, projects are paid in phases and a hold is placed on a portion of the funds until the completion date of the project. Once the project is complete, the balance on the purchase order which is encumbered, is released/paid to reflect the retainage amount which was held. The City has a mechanism in the system that identifies retainage as a type of payment but this was not used in previous years as an identifying marker for the final payment (retainage). The finance department has communicated with all applicable departments to identify the release of the financial retainage amounts prior to the payment being released. The City is in the process of a system upgrade that it will track and record retainages that have not been paid at year-end and will record them as a liability.

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section II – Financial Statement Findings (Continued)***

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**2021-003 – Information Technology Controls – Significant Deficiency**

**Condition:**

During our review of the general computer controls at the City's Department of Information Technology (DIT) we noted the City has not formally approved a policy or procedure to document their periodic access review process of the active user listing for either continued need for access or the appropriateness of access retained. In addition, the City has not developed documentation standards for the periodic access review.

**Criteria or Specific Requirement:**

A well-designed system of internal controls related to application access and security requires sound general computer controls be established and functioning to reduce the risk that the City's operations are out of compliance with industry best practices and management's objectives and expectations.

**Effect:**

An ineffective control environment increases the risk that financial data integrity is not maintained.

**Cause:**

The City does not have sufficient policies and procedures, including monitoring controls.

**Repeat Finding:** Prior year finding 2020-002, partially resolved

**Recommendation:**

We recommend the City evaluate the items noted and implement updated procedures to improve the general computer controls to include formally documenting the policy/process to periodically review the active user listing in the system to validate the appropriateness of user accounts and their associated access rights.

**Views of Responsible Officials and Planned Corrective Action:**

We agree with the auditors finding. We agree that an annual City-wide review of access to all systems is a necessary step to move into alignment with best practices. We concur that each owner should be responsible for the verification of access to his/her system, which is in keeping with the responsibilities of owners as outlined in policy.

DIT is assessing the steps necessary to bring CoRERP and CIS into compliance with policy. If there are technological or practical impediments, then we will pursue change to policy.

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section II – Financial Statement Findings (Continued)***

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**2021-004 – Use of Miscellaneous Vendor – Significant Deficiency**

**Condition:**

The “Miscellaneous Vendor” code is not being consistently used for its intended purpose. This code was established for small social services reimbursements; however, we noted the code was being used for large recurring vendors. The use of the “Miscellaneous Vendor” code allows for a bypass of the normal procurement process.

**Criteria or specific requirement:**

All large vendors paid by the City should be subjected to the City’s procurement processes.

**Effect:**

The use of the “Miscellaneous Vendor” code can allow employees to surpass the approval process of requesting a new vendor through the procurement department. This could result in related party vendors or vendors who are suspended and debarred. Bypassing the procurement process may also increase the risk of fraud related to disbursement of funds.

**Cause:**

The City is not monitoring the use of the “Miscellaneous Vendor” code and necessary procurement processes are not being followed.

**Repeat Finding:** Prior year finding 2020-003

**Recommendation:**

We recommend the City limit the use of the “Miscellaneous Vendor” code. We also recommend the City establish controls to review all checks issued to “Miscellaneous Vendor”.

**Views of Responsible Officials and Planned Corrective Action:**

We agree with the auditors finding. Procurement Services will establish miscellaneous vendor supplier records by payment types to align to source and purpose for creation. Additionally, Procurement Services will create a dashboard to monitor and validate the use of the miscellaneous vendor payment types. Procurement violations will have appropriate follow up by Department of Procurement Services.



**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section III – Federal Award Findings and Questioned Costs***

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**2021-005**

**Federal Agency:** Department of Housing and Urban Development

**Federal Program Name:** Emergency Solutions Grant

**ALN:** 14.231

**Award Period:** 8/24/2020 – 8/24/2022

**Compliance Requirement:** Special Tests and Provisions – Obligations, Expenditures and Payment Requirements

**Type of Finding:** Significant Deficiency in Internal Control over Compliance, Other Matters

**Prior Year Finding:** No

**Criteria**

The recipient must pay each subrecipient for allowable costs within 30 days after receiving the subrecipient's complete payment request. This requirement also applies to each subrecipient that is a unit of general-purpose local government (24 CFR section 576.203)

**Condition:**

For 1 of the 8 subrecipient payments made, the payment was paid to the subrecipient more than 30 days after the complete payment request was made.

**Questioned Costs:**

None

**Cause:**

The City's procedures were not sufficient to ensure that subrecipient payments were made within the required time frame. Internal controls did not prevent or detect the error.

**Effect:**

The subrecipient didn't receive the funds requested timely.

**Recommendation:**

We recommend the City review its policies and procedures to ensure all subrecipients payments are made timely.

**Views of Responsible Officials and Planned Corrective Action:**

The City agrees with this finding. See separate Correction Action Plan related to this finding.

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section III – Federal Award Findings and Questioned Costs (Continued)***

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**2021-006**

**Federal Agency:** Department of Treasury

**Federal Program Name:** Coronavirus Relief Funds

**ALN:** 21.019

**Award Period:** Through December 31, 2021

**Compliance Requirement:** Reporting

**Type of Finding:** Significant Deficiency in Internal Control over Compliance, Other Matters

**Prior Year Finding:** No

**Criteria**

Per 2 CRF Section 200.303(a), a nonfederal entity must: Establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

For 2 of 2 financial reports tested, there was not documentation that a review was performed by a responsible official.

**Questioned Costs:**

None

**Cause:**

The City's procedures were not sufficient to ensure documentation of the review performed prior to the report being submitted.

**Effect:**

The information submitted to the federal government could be inaccurate.

**Recommendation:**

We recommend the City review its current policies and procedures to ensure reviews are documented on all reports prior to being submitted.

**Views of Responsible Officials and Planned Corrective Action:**

The City agrees with this finding. See separate Correction Action Plan related to this finding.

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section IV – Findings and Questioned Costs Related to Compliance With Commonwealth of Virginia Laws, Regulations, Contracts, and Grants***

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**2021-APA 01 – Department of Social Services Special Welfare and Dedicated SSI Accounts**

**Condition:** A sample of nine clients with child welfare accounts were tested for the nine attributes in the criteria related child welfare account requirements. Exceptions are noted below:

- Seven out of nine clients did not have SSI/SSA receipts accurately and timely deposited and credited to the child's account for one out of twelve months reviewed.
- Reimbursements were not processed monthly in the current month for expenses in the current month for all nine clients tested.
- One out nine clients did not have proper supporting documentation for some expenditures paid by special welfare funds.

**Criteria or Specific Requirement:** In accordance with the Auditor of Public Accounts *Specifications for Counties, Cities and Towns, Chapter 3 Section 15*, child welfare accounts and dedicated SSI accounts are established for LDSS' to accept and expend funds on behalf of children placed in their care when there is no appointed guardian. Receipt of special funds and expenditures should be posted to the child's account. The LDSS should comply with federal guidelines in regard to the types and titling of bank accounts and acceptable expenditures. Certain social security payments, such as certain large back SSI payments to blind and disabled children under 18 years of age should be housed in a separate dedicated bank account, although not specified in the in the law, the account should be interest bearing. The LDSS may only disburse funds from dedicated accounts for limited purposes, typically medical and educational.

Auditors reviewed the following attributes for a sample of clients with special welfare accounts:

- Receipts were credited accurately and timely to the special welfare account or the dedicated account of the appropriate individual.
- Interest was properly credited to the account when earned.
- The local treasurer was reimbursed monthly for program expenditures incurred in the current month, and only in the current month.
- Reimbursements were reported on LASER and/or the Local Reimbursement Reports as refunds to expenditures (if applicable).
- Special welfare and dedicated funds that were not spent were returned to individuals who left the agency's custody, refunded to applicable funding sources (example Social Security), or escheated to the state (unclaimed property).
- Each special welfare account and dedicated account were reconciled monthly with the treasurer's records.
- Special welfare funds were spent in accordance with any special stipulations.
- SSI dedicated funds were spent in accordance with SSA stipulations.
- Special welfare accounts and SSI dedicated accounts without recent transaction activity were necessary.

**CITY OF RICHMOND, VIRGINIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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***Section IV – Findings and Questioned Costs Related to Compliance With Commonwealth of Virginia Laws, Regulations, Contracts, and Grants (Continued)***

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**2021-APA 01 – Department of Social Services Special Welfare and Dedicated SSI Accounts (Continued)**

**Cause and Effect:** The causes and effects of the exception above are noted below.

- Per DSS staff, the SSA/SSI receipts were not posted timely in Harmony due to:
  - Key DSS staff was out of the Office for an extended period; and
  - Staffing changes/turnover within the DSS Finance Unit.Also, the April 2021 Economic Impact Payments have not posted in Harmony pending verification from the DSS Finance Unit that clients were still in DSS custody.
- Monthly reimbursements (offsets) were not processed timely for all nine clients sampled. Clients had 1 to 2 offsets processed during FY21. Program expenditures were reimbursed months after service payments were processed, which caused high account balances for some of the clients. Per RDSS staff, they stopped processing the offsets as the reports they were using were incorrectly pulling information from Harmony. These reports were not corrected until March 2021. Additionally, there were staff shortages and a key employee was out of the office for an extended period of time.
- Supporting documentation (receipts) does not match what was purchased in Harmony for one client for expenditures in the amount of \$1,200.

**Repeat Finding:** Prior year finding 2020-APA-02

**Recommendation:**

- Ensure that social security deposits are posted timely and accurately by cross training and having a backup available when key staff is out of there are staff changes.
- Ensure the April 2021 Economic Impact payments are posted to the applicable client accounts with Harmony where required.
- Ensure reimbursements are processed monthly for program expenditures incurred in the current month, and only in the current month where feasible.
- Ensure receipts/supporting documentation are obtained for child welfare expenditures.

**View of Responsible Officials:** See Corrective Action Plan.